

ADMINISTRATIVE AGREEMENT

This Administrative Agreement ("Agreement"), dated the 10 day of November 2009, is made between Sierra Alloys Company, Inc. ("Sierra Alloys" or "the Company") and the United States Department of the Air Force. As used herein, Sierra Alloys means Sierra Alloys Company, Inc. and all of its operating sectors, groups, divisions, units and wholly-owned subsidiaries, whether pre-existing, acquired or established during the term of this Agreement.

PREAMBLE

1. Sierra Alloys is a small, family-owned producer and supplier of titanium alloy forged or hot rolled bars, forged large bar and block, and hot rolled plate and other metals for military and civilian uses, and has its principal and only place of business at Irwindale, California. Sierra Alloys is wholly-owned by Joseph P. and Gretchen Augustyn. Joseph P. Augustyn owns 50% and Gretchen Augustyn owns 50% of the economic interests in Sierra Alloys. Joseph P. Augustyn is the President and Chief Executive Officer ("CEO") of Sierra Alloys. Gretchen Augustyn is the Secretary and Treasurer of Sierra Alloys. Jeff Augustyn is the Executive Vice President and General Manager of Sierra Alloys. (Joseph P., Gretchen, and Jeff Augustyn are collectively referred to herein as "the Augustyn family".)
2. On September 25, 2009, Sierra Alloys and the Augustyn family were suspended from Government contracting and Government-approved subcontracting and from directly or indirectly receiving the benefits of federal assistance programs, pursuant to the procedures contained in the Federal Acquisition Regulation ("FAR") Subpart 9.4 and the Department of Defense FAR Supplement ("DFARS") Subpart 209.4. Their suspension was based upon there being adequate evidence in the administrative record establishing that, beginning in or about February 2003 and continuing to in or about February 2004, Sierra Alloys, at the sole direction of Joseph P. Augustyn, knowingly filled orders using 6,071 pounds of titanium from heat #848U that had been fabricated as forged slab and then saw-cut to customer-specified thickness, including two orders in March 2003 certified as MIL-T-9046 rolled plate for customers who were supplying titanium that ultimately was incorporated into aircraft being manufactured for the United States. Notwithstanding that the titanium at issue was tested and met the minimum performance requirements of MIL-T-9046, it was of lesser quality than (a) titanium properly produced as rolled plate per MIL-T-9046, and (b) titanium produced according to Sierra Alloys' usual practice. The suspension of Sierra Alloys is based upon the imputation of Joseph P. Augustyn's conduct to Sierra Alloys, and upon Sierra Alloys' affiliation with Joseph P. Augustyn. The suspension of Gretchen Augustyn and Jeff Augustyn is based upon their affiliation with Joseph P. Augustyn.
3. As a consequence of the above-described misconduct, Sierra Alloys and Joseph P. Augustyn have been under investigation by the Government and have entered into negotiations with the United States Attorney's Office ("USAO") for the Central District of California for a disposition. In 2008, before a disposition could be finalized, Joseph P. Augustyn was diagnosed with cancer that subsequently metastasized. Joseph P. Augustyn's health condition has delayed resolution of proceedings with the USAO.

4. As a consequence of Joseph P. Augustyn's health condition, Jeff Augustyn has been managing and running the operations of Sierra Alloys, and in effect acting as President and CEO. Jeff Augustyn intends to formally assume the roles of President and CEO, but the formal change has not yet occurred because of Joseph P. Augustyn's health condition.

5. Sierra Alloys and the Augustyn family have expressed interest in demonstrating that, notwithstanding the misconduct for which Sierra Alloys and Joseph P. Augustyn have been under Government investigation, Sierra Alloys and the Augustyn family can continue to be trusted to deal fairly and honestly with the Government and that suspending or debarring Sierra Alloys and the Augustyn family from future Government contracting is not a necessary protection in this case. Sierra Alloys and the Augustyn family have acknowledged this improper conduct of Joseph P. Augustyn and acknowledge that, by virtue of Joseph P. Augustyn's position as an officer of Sierra Alloys at the time the misconduct occurred, the misconduct may be imputed to Sierra Alloys, and that, by virtue of their positions as officers and owners of the Company, his misconduct may be imputed to Gretchen Augustyn and Jeff Augustyn. Sierra Alloys has agreed to keep in place its business ethics program, which was voluntarily adopted prior to the date of this Agreement, and to take other actions as specified herein to assure that Sierra Alloys possesses the high degree of business honesty and integrity required of a Government contractor.

6. The Air Force, Sierra Alloys, and the Augustyn family agree that FAR 9.406 provides a cause to suspend: (a) Sierra Alloys based upon the imputation of Joseph P. Augustyn's conduct to the Company; (b) Joseph P. Augustyn based upon his own misconduct; and (c) the remainder of the Augustyn family based upon their respective prior or current affiliations with Joseph P. Augustyn. The Air Force has further determined, however, that based upon information currently known to the Air Force, and in particular the fact that Sierra Alloys voluntarily ceased and never repeated the misconduct (which occurred during a discrete period of time from February 2003 to February 2004 and involved only about 6,000 pounds of product supplied to end users that were a mix of commercial, foreign, and U.S. Government entities, none of which used the product for flight critical parts), Sierra Alloys' corrective actions reflected in the terms and conditions of this Agreement provide adequate assurance that Sierra Alloys' future dealings with the Government, if any, will be conducted responsibly and that suspension or debarment of Sierra Alloys and the Augustyn family is not necessary at this time to protect the Government's interests. The parties, therefore, agree to the terms and conditions set out below.

ARTICLES

1. **PERIOD.** The period of this Agreement shall be three years from the date the Agreement is signed by the Air Force, or, if the Air Force determines at any time during such three-year period that Sierra Alloys has ceased to be in full compliance with the letter and spirit of this Agreement, for a period of three years following re-establishment of full compliance as determined by the Air Force, with the exception that Sierra Alloys' obligation to cooperate with respect to the Government's inquiries, investigations, and prosecutions relating to the titanium business is not limited to three years, but will continue until the Government determines it no longer needs such cooperation, or the Augustyn family is no longer involved in the titanium business, whichever comes first.

2. **EMPLOYEES.** The word employee(s) in this Agreement includes Company officers, permanent, temporary, and contract employees, full-time and part-time employees, consultants, and members of the Board of Directors.

3. **SELF-GOVERNANCE PROGRAMS.** Sierra Alloys has implemented and agrees to maintain a self-governance program that includes a business ethics program that covers all employees. The business ethics program shall be maintained so as to ensure that Sierra Alloys and each of its employees maintains the business honesty and integrity required of a Government contractor and that Sierra Alloys operates in strict compliance with all applicable laws, regulations, and the terms of any contract. Sierra Alloys represents that the business ethics program includes the following components:

a. **CENTRAL, HIGH-LEVEL PROGRAM MANAGEMENT.** Sierra Alloys has designated its Quality Control Manager, Gerry Mylander, to be the Sierra Alloys Ethics Officer ("Ethics Officer"). The Ethics Officer is responsible for managing all aspects of the Sierra Alloys business ethics program.

b. **CODE OF BUSINESS ETHICS.** A written Code of Business Ethics ("the Code" or the "Code of Business Ethics") has been adopted by Sierra Alloys. A copy of the Code is attached as Exhibit 1 to this Agreement. The Code of Business Ethics has been circulated to each employee of Sierra Alloys. After reading the Code, each current employee has been instructed to sign, in a register to be maintained by Sierra Alloys and open to inspection by the Air Force, that he or she has read and understood the Code. Thereafter, at least once in each calendar year, each then-current employee shall repeat the procedure of reading the Code and signing the register. As referenced in Article 6 of this Agreement, the Code also includes a certification that must be signed annually. In addition, within thirty days of starting employment with Sierra Alloys, new employees shall attend a training program, not less than one hour in length, administered by the Ethics Officer, during which the terms and conditions of the Code of Business Ethics will be reviewed, and thereafter each new employee shall be required to read the Code and sign the register stating that he or she has read and understood the Code.

c. **INFORMATION AND EDUCATION PROGRAM.** In addition to the program for new employees detailed in subparagraph b., Sierra Alloys has instituted and shall maintain an information and education program designed to assure that all employees are aware of all applicable laws, regulations, and standards of business conduct that employees are expected to follow and the consequences both to the employee and to the Company that will ensue from any violation of such measures. Training shall consist of compliance training for affected employees, plus at least one hour of live initial training in the Sierra Alloys business ethics program for every Sierra Alloys employee, plus, each year for each then-current employee, not less than one additional hour of live ethics training to be conducted by each employee's supervisor. A schedule and subject outline for the information and education program is attached as Exhibit 2 to, and incorporated by reference into, this Agreement.

d. **LANGUAGES.** All written materials and training related to the business ethics program will be provided in English and Spanish and in any other language necessary to assure that each employee understands all elements of any written or oral presentation.

c. **REPORTING AND INFORMATION RESOURCES.** Sierra Alloys has posted in prominent places accessible to each of its employees a notice giving the telephone number of Sierra Alloys' Ethics Officer and Director of Human Resources, inviting confidential calls to report suspected instances of improper conduct, providing instructions that encourage employees to make such reports, noting that the caller may call "collect" on long distance calls, and stating the Company's commitment to comply with all applicable laws and regulations in the conduct of its business. A copy of the notice is attached as Exhibit 3 to this Agreement. Sierra Alloys has also posted in common work areas a "Hotline" poster prepared by the Inspector General of the Department of Defense providing phone numbers to report fraud, waste, abuse, and/or security violations.

4. **PREFERRED SUPPLIER PROGRAM.** Sierra Alloys shall institute a Preferred Supplier Program within 120 days of the effective date of this Agreement. The program shall be designated so as to in some manner reward its suppliers and subcontractors that have instituted and maintain compliance and values based ethics programs.

5. **PERFORMANCE STANDARDS.** Promotion of and adherence to the Sierra Alloys business ethics program is an element of each manager and supervisor's written performance standards and each manager and supervisor is appraised annually in writing on his or her adherence to and promotion of Sierra Alloys' business ethics program. Sierra Alloys will submit, as part of each report to the Air Force pursuant to Article 8 of this Agreement, a statement by the CEO that each manager and supervisor has been appraised on his or her adherence to and promotion of Sierra Alloys' business ethics program. Moreover, Sierra Alloys shall exercise reasonable efforts not to include as a principal (including any manager or supervisor) any individual whom due diligence would have exposed as having engaged in conduct that is in conflict with Sierra Alloys' Code of Business Ethics and to take appropriate action to remove any individual from a principal, management, or supervisory position who engages in such conduct, as provided in Article 18 of this Agreement.

6. **ETHICS CERTIFICATES.** Each employee of Sierra Alloys will be subject to an annual certification requirement to attest that he or she (a) has attended a live training session concerning the content and application of the Company's business ethics program; (b) understands that strict adherence to the law, the Code of Business Ethics, and the principles of the business ethics program is a condition of employment; and (c) understands that Sierra Alloys will take disciplinary action, including discharge, for any violation of law, the Code of Business Ethics, the principles of the business ethics program, or basic tenets of business honesty and integrity, or failure to take reasonable steps to prevent or detect improper conduct. The certificate used to fulfill this requirement is included in the Code of Business Ethics, a copy of which is attached as Exhibit 2 to this Agreement. The certificates shall be maintained and available for the Air Force's review and inspection during the life of this Agreement.

7. **CHIEF EXECUTIVE OFFICER RESPONSIBLE.** The CEO of Sierra Alloys (currently, Jeff Augustyn, who is the Acting CEO) shall be responsible for ensuring that the Company establishes a business ethics program and that the Code of Business Ethics is maintained and updated as necessary, as well as providing for periodic audits of Sierra Alloys' business practices, procedures, policies and internal controls for compliance with this Agreement, as provided hereunder, the Code of Business Ethics and the special requirements of

Government contracting, including monitoring and auditing to detect criminal conduct, periodic evaluation of the effectiveness of the business ethics program and periodic assessment of the risk of criminal conduct, with appropriate steps to design, implement, or modify the business ethics program as necessary to reduce that risk of criminal conduct as identified through this process. Sierra Alloys' Ethics Officer shall report to the CEO (or currently, the acting CEO) in person and in writing not less than quarterly concerning Sierra Alloys' business ethics program and compliance with this Agreement. The CEO or Acting CEO shall take whatever actions are appropriate and necessary to ensure that Sierra Alloys conducts its activities in compliance with the requirements of the law and sound business ethics. Sierra Alloys shall provide to the Air Force copies of such written reports in accordance with Article 8 of this Agreement.

8. **REPORTS.** At the end of the first complete calendar quarter following the execution of this Agreement, and thereafter at six month intervals (each respectively, "the reporting period"), the CEO or Acting CEO of Sierra Alloys shall submit a written report to the Air Force describing the measures taken by Sierra Alloys during the reporting period to implement the business ethics program and to ensure compliance with this Agreement. The reports shall be submitted in time to be received at the Air Force within twenty days of the end of the reporting period. Notwithstanding such requirements, the final report shall be submitted not later than one month prior to the final day of this Agreement as it relates to reporting requirements. The reporting dates are deadlines for receipt of the reports at Air Force Headquarters. Sierra Alloys' failure to meet these requirements on or before the dates agreed to shall constitute a breach of this Agreement. The reports shall include:

- a. Standards of conduct/ethics/compliance training conducted, subject matter covered, and the number and employment rank or status of persons who attended.
- b. Informal notifications or initiatives relating to the business ethics program.
- c. Information otherwise required by this Agreement.
- d. A statement of any problems or weaknesses identified in compliance audits, corrective actions proposed or initiated, and the status of any corrective action.
- e. A statement by the CEO verifying that the register referenced in Article 3.b. is being maintained and that each employee has signed the register as required by this provision.
- f. A report identifying all calls made to the company reporting alleged misconduct (regardless of subject matter), and any instances of suspected misconduct otherwise brought to the attention of management during the preceding quarter. Such reports shall summarize the alleged facts of each matter, stating the date and source (generically identified only as employee, consultant, outsider, etc.), medium of the report, the date and nature of the reported conduct, type and results of any internal investigation, corrective and/or disciplinary action and date of feedback to the source of the information. Matters pending resolution at the time of a reporting period shall be reported each quarter until final resolution of the matter is reported. If the Company has received no reports, Sierra Alloys shall report that fact. For purposes of this Article 8.f., Sierra Alloys may

summarize the matters reported. The complete Sierra Alloys files on each case, however, shall be made available to the Air Force upon request.

g. A statement of any problems or weaknesses identified in compliance audits, corrective actions proposed or initiated, and the status of any corrective action.

9. MANAGEMENT - RESTRICTIONS ON EMPLOYMENT.

a. The principal member of Sierra Alloys' management on the date of execution of this Agreement by Sierra Alloys is Jeff Augustyn, who is performing the functions of President and CEO, notwithstanding that formal change of management has not yet taken place in consideration of Joseph P. Augustyn's health condition. Sierra Alloys anticipates that Joseph P. Augustyn will no longer take an active role in the Company as a consequence of his health condition. Sierra Alloys represents to the Air Force that formal change of management will occur as soon as practicable under the circumstances and that it will inform the Air Force when Jeff Augustyn is formally appointed to the positions of President and CEO. In addition, Sierra Alloys agrees to notify the Air Force within one week if Jeff Augustyn ceases to perform the functions of President or CEO or if, after appointment, leaves the position of President or CEO.

b. During the term of this Agreement, Joseph P. Augustyn: (i) shall not perform any management or operational functions for Sierra Alloys; (ii) may only retain the titles of President and CEO until such time as it is practicable to appoint Jeff Augustyn to those positions; and (iii) may retain his 50% ownership in the Company, but shall not use his ownership to exert control over management or operations of the Company.

10. LEGAL PROCEEDINGS. Sierra Alloys represents to the Air Force that, to the best of Sierra Alloys' knowledge, Sierra Alloys is not now under criminal or civil investigation by any Governmental entity, with the exception of the USAO for the Central District of California and the Defense Criminal Investigative Service in connection with the pending criminal investigation of the titanium business. In addition to the periodic written reports required under Article 8 of this Agreement, Sierra Alloys shall notify the Air Force within two working days of the time Sierra Alloys learns of: (a) the initiation of any criminal or civil investigations by any federal, state, or local government entity involving allegations of Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest or anti-trust violations, if Sierra Alloys has reason to believe it is a target or subject of such investigation; (b) service of subpoenas by any such governmental entity, if Sierra Alloys has reason to believe that it is a subject or target of the investigation; (c) service of search warrants and/or searches carried out in any Sierra Alloys facility; (d) initiation of legal action against Sierra Alloys, or any of its affiliates, employees, or agents by any entity alleging violations of the Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest, or anti-trust violations; or (e) criminal charges brought by any governmental entity against Sierra Alloys or any of its affiliates, employees, or agents, relating to the business of Sierra Alloys. Sierra Alloys shall provide to the Air force as much information as necessary to allow the Air Force to determine the impact of the investigative or legal activity upon the present responsibility of Sierra Alloys for Government contracting. Sierra Alloys shall fully cooperate with any Government agencies responsible for audits, investigations, or corrective actions.

11. **COOPERATION.** Sierra Alloys shall cooperate, to extent requested by the Government, in any Government inquiry, investigation, or prosecution relating to the titanium business, whether ongoing at the time of, or commenced subsequent to, execution of this Agreement, as well as any analysis by the Air Force of the effect of titanium business practices under investigation. Such cooperation shall include making available for interviews Joseph P. Augustyn (to the extent his health permits), Jeff Augustyn, and any other Sierra Alloys employees, as well as providing documents. In addition, Joseph P. Augustyn (to the extent his health permits) and Jeff Augustyn agree to testify on behalf of the Government in any criminal or civil proceeding arising out of investigation of the titanium business. The obligation to cooperate under this Article 11 is not limited by the three-year term of this Agreement, but will continue until the Government determines it no longer needs such cooperation, or the Augustyn family is no longer involved in the titanium business, whichever comes first.

12. **MEETING.** Between five and seven months after the effective date of this Agreement, and again no later than four months prior to the termination of this Agreement, the CEO of Sierra Alloys shall meet, in person or by telephone, with the Air Force Deputy General Counsel for Contractor Responsibility or a designee to discuss implementation of and compliance with this Agreement, and the status of the business ethics program.

13. **BUSINESS ETHICS PROGRAM REVIEW.** Sierra Alloys represents that it has engaged an independent party that is acceptable to the Air Force to assist Sierra Alloys in implementing its business ethics program and to perform a review of Sierra Alloys' business ethics program within four months following the execution of this Agreement. Sierra Alloys shall require the independent party to prepare a report for Sierra Alloys evaluating Sierra Alloys' business ethics program and recommending any changes that seem appropriate. Sierra Alloys shall direct the independent party to issue the report to Sierra Alloys and to the Air Force without first discussing its proposed conclusions with Sierra Alloys. Sierra Alloys shall provide Sierra Alloys' action plan for implementing any recommended changes to the Air Force within one month following Sierra Alloys' receipt of the report. This process shall be completed promptly so that Sierra Alloys' action plan is furnished to the Air Force not later than five months after the effective date of this Agreement. Sierra Alloys shall cause a second such review of Sierra Alloys' business ethics program to be conducted and a report to be prepared and submitted to the Air Force not later than thirty months after the effective date of this Agreement. The parties acknowledge and agree that Jim Mahoney of The Paragon Group may serve as the independent party for purposes of the review authorized under this Article.

14. **SELF-GOVERNANCE PROGRAM AUDIT.** At least once each calendar year, Sierra Alloys shall conduct an internal audit of Sierra Alloys' business practices, procedures, policies, and internal controls for compliance with this Agreement, the Code of Business Ethics, and the special requirements of Government contracting, including monitoring and auditing to detect criminal conduct, periodic evaluation of the effectiveness of the business ethics program and periodic assessment of the risk of criminal conduct, with appropriate steps to design, implement, or modify the business ethics program as necessary to reduce the risk of criminal conduct as identified through this process. The results of the audits (which will be done independently of Sierra Alloys' Ethics Officer) shall be furnished to the Air Force with the reports submitted pursuant to Article 7.

15. **LIST OF AUDIT REPORTS.** In addition to audit reports elsewhere required by this Agreement, Sierra Alloys agrees to provide the Air Force with a list of all internal and external audit reports, regardless of source, otherwise relating to Sierra Alloys and either generated by or received by Sierra Alloys during the reporting period covered by the current Article 8 report. Sierra Alloys shall include in the list reports generated as a result of customer or Government surveys of Sierra Alloys.

16. **REPORTS OF MISCONDUCT.** In addition to the routine reports of misconduct required by Article 8.d. and any disclosure to the agency Office of the Inspector General and the contracting officer required by FAR 3.1003(2) and, as applicable, the contract clause set out in FAR 52.203-13, Sierra Alloys shall report to the Air Force, within fifteen days of discovery by management, any suspected misconduct that management has reasonable grounds to believe may constitute a violation of criminal or civil law. The misconduct to be reported pursuant to this Article includes misconduct by any person, including, but not limited to, Sierra Alloys, Sierra Alloys' suppliers and employees (as defined herein), and Government employees, when related to the conduct of Sierra Alloys' business, and shall include misconduct disclosed to Sierra Alloys from any source relating to Sierra Alloys' business. Sierra Alloys will investigate all reports of such misconduct that come to its attention and will notify the Air Force of the outcome of such investigations and any potential or actual impact on any aspect of Sierra Alloys' Government-related business. Sierra Alloys will take corrective action, including prompt restitution of any harm to the Government. Sierra Alloys will include summary reports of the status of each such investigation to the Air Force in the reports submitted pursuant to Article 8 until each matter is finally resolved.

17. **LETTERS TO SUPPLIERS AND SUBCONTRACTORS.** Within 14 days of the execution of this Agreement, Sierra Alloys will distribute to every supplier and, to the extent they are used, subcontractor to Sierra Alloys a letter from Sierra Alloys' CEO or Acting CEO, (1) emphasizing Sierra Alloys' commitment to procurement integrity, (2) asking suppliers and subcontractors not to offer to give anything of value to Sierra Alloys' employees, (3) stating that Sierra Alloys employees are not allowed to give to or receive from Sierra Alloys' suppliers and subcontractors anything of value, (4) asking suppliers and subcontractors to report to the Ethics Officer any improper or illegal activity by Sierra Alloys' employees, and (5) informing them of the telephone number for the Sierra Alloys Ethics Officer and for the Hotline. Sierra Alloys shall furnish the Air Force with a copy of the letter. The prohibition on offering or giving anything of value in items (2) and (3) above does not include modest items of food and refreshments, such as soft drinks, coffee and donuts, offered other than as part of a meal; nor does it include greeting cards or promotional items of modest value, such as t-shirts, baseball caps, calendars or planners. The prohibition also does not include suppliers or services that may be provided to Sierra Alloys free of charge or at a reduced charge for evaluation.

18. **EMPLOYMENT OF SUSPENDED OR DEBARRED INDIVIDUALS.** Sierra Alloys shall not knowingly employ, with or without pay, an individual who is under indictment, convicted, or listed by a federal agency as debarred, suspended, or otherwise ineligible for federal programs. In order to carry out this policy, Sierra Alloys shall make reasonable inquiry into the status of any potential employee or consultant. Such reasonable inquiry shall include, at a minimum, review of the General Services Administration's ("GSA") List of Parties Excluded from Federal Procurement and Nonprocurement Programs as maintained by GSA on the internet.

Sierra Alloys' policy does not require Sierra Alloys to terminate the employment of individuals who are indicted or become suspended or are proposed for debarment during their employment with Sierra Alloys. Sierra Alloys, however, will remove such employees from responsibility for or involvement with Sierra Alloys' business affairs until the resolution of such suspension or proposed debarment. In addition, if any employee of Sierra Alloys is charged with a criminal offense relating to business or otherwise relating to honesty or integrity, Sierra Alloys will remove that employee immediately from responsibility for or involvement with Sierra Alloys' business affairs. If the employee is convicted or debarred, Sierra Alloys' policy requires that the employee will be terminated from employment with Sierra Alloys. Sierra Alloys shall notify the Air Force of each such personnel action taken, and the reasons therefore, within fifteen days of the action.

19. BUSINESS RELATIONSHIPS WITH SUSPENDED OR DEBARRED ENTITIES.

Sierra Alloys shall not knowingly form a contract with, purchase from, or enter into any business relationship with any individual or business entity that is listed by a federal agency as debarred, suspended, or proposed for debarment. To effectuate this policy, Sierra Alloys shall make reasonable inquiry into the status of any potential business partner, to include, at a minimum, review of the GSA's List of Parties Excluded from Federal Procurement or Nonprocurement Programs including the version of this list maintained by GSA on the internet. Notwithstanding any other provision of this Article, Sierra Alloys may enter into a business relationship with a suspended or debarred contractor, if the acting CEO first determines in writing that a compelling reason justifies the action and furnishes to the Air Force Deputy General Counsel for Contractor Responsibility a copy of the determination not less than ten days prior to Sierra Alloys entering into such a business relationship. Sierra Alloys shall not enter into a business relationship with a suspended or debarred entity if the Air Force objects. In addition to the provisions of this Article, Sierra Alloys shall comply with the requirements of FAR 9.405-2(b) and provide to the Air Force Deputy General Counsel for Contractor Responsibility a copy of the documents submitted to the contracting officer pursuant thereto.

20. PROPOSED CHANGES. Sierra Alloys shall notify the Air Force of any proposed changes in the directives, instructions, or procedures implemented in furtherance of Sierra Alloys' business ethics program and compliance with this Agreement. The Air Force, or its authorized representative, retains the right to verify, approve, or disapprove any such changes. No such changes shall be implemented without the prior approval of the Air Force.

21. ACCESS TO RECORDS AND INFORMATION. In addition to any other right the Air Force may have by statute, regulation, or contract, the Air force or its authorized representative may examine Sierra Alloys' production records for Government-related orders for the purpose of verifying and evaluating: (a) Sierra Alloys' compliance with the terms of this Agreement; (b) Sierra Alloys' business conduct in its dealings with its customers who provide products for Government end use, and the Government to the extent it is a Sierra Alloys customer; (c) Sierra Alloys' compliance with federal laws, regulations, and procurement policies and with accepted business practices; and (d) Sierra Alloys' compliance with the requirements of Government contracts or subcontracts. The materials described above shall be made available by Sierra Alloys at all reasonable times for inspection, audit, or reproduction. Further, for purposes of this provision, the Air Force or its authorized representative may interview any Sierra Alloys employee at the employee's place of business during normal business hours or at such other place

and time as may be mutually agreed between the employee and the Air Force. Employees will be interviewed without a representative of Sierra Alloys being present. The employee may be represented personally by his own counsel if requested by the employee.

22. **COSTS OF REVIEW.** Sierra Alloys has paid to the Air Force \$25,000 to cover the Air Force's costs of independently reviewing this matter and administering this Agreement.

23. **ADVERSE ACTIONS.** Sierra Alloys avers that adverse actions taken, or to be taken, by Sierra Alloys against any employee or other individual associated with Sierra Alloys arising out of or related to the wrongdoing at issue here were solely the result of Sierra Alloys' initiatives and decisions and were not the result of any action by, or on behalf of, agents or employees of the United States.

24. **NO SUSPENSION OR DEBARMENT.** Provided that the terms and conditions of this Agreement are faithfully fulfilled, the Air Force will not suspend or debar Sierra Alloys or members of the Augustyn family based on the facts and circumstances set forth in the Preamble herein or any indictment, plea agreement, or conviction arising out of such facts and circumstances. The Air Force's decision not to suspend or debar upon the facts at issue here shall not restrict the Air Force or any other agency of the Government from instituting administrative action, including, without limitation, suspension or debarment, should other information indicating the propriety of such action come to the attention of the Air Force or such other agency, or additional information concerning the facts at issue here is discovered by the Government, which facts were not disclosed by Sierra Alloys, or by the exercise of reasonable diligence could not have been discovered by the Government as of the date of this Agreement.

25. **PRESENT RESPONSIBILITY.** Sierra Alloys' compliance with the terms and conditions of this Agreement shall constitute an element of Sierra Alloys' present responsibility for Government contracting. Sierra Alloys' failure to meet any of its obligations pursuant to the terms and conditions of this Agreement constitutes a separate cause for suspension and/or debarment of Sierra Alloys or members of the Augustyn family. By entering into this Agreement, the Air Force is not determining that Sierra Alloys is presently responsible for any specific Government contract.

26. **NOTIFY EMPLOYEES.** Sierra Alloys will notify all Sierra Alloys employees of the fact and substance of this Agreement, the nature of the wrongdoing leading to this Agreement, and the importance of each employee's abiding by the terms of this Agreement and all requirements of law, regulations, and Sierra Alloys policies and procedures.

27. **SALE OF SIERRA ALLOYS.** In the event that Sierra Alloys sells or in any way transfers ownership of any part of its business, Sierra Alloys shall notify the Air Force in advance. To the extent that Sierra Alloys or the Augustyn family remain in the titanium business, they shall remain bound by the terms of this Agreement. The new owner shall be bound by the terms of this Agreement; however, to the extent that the new owner does not engage in business with the Government or with Government contractors, then the new owner may petition for relief from the terms of this Agreement.

28. **SIERRA ALLOYS PURCHASE OF BUSINESSES.** In the event that Sierra Alloys purchases or establishes any new business unit after the effective date of this Agreement, Sierra Alloys shall incorporate all provisions of this Agreement into the new business, including any training or education requirements, within sixty days following such purchase or establishment.
29. **WAIVER.** Sierra Alloys hereby waives all claims, demands, or requests for monies of any kind or of whatever nature that Sierra Alloys may have or may develop in the future arising from, related to, or in connection with any investigation, or as a result of administrative or judicial proceedings, or request for any other relief in law or in equity, or in any other forum be it judicial or administrative in nature arising out of or relating to the facts that gave rise to the suspension and/or proposed debarment.
30. **RELEASE.** Sierra Alloys hereby releases the United States, its instrumentalities, agents, and employees in their official and personal capacities, of any and all liability or claims arising out of or related to the investigation, criminal prosecution, or civil settlement at issue here, or the suspension, proposed debarment, or debarment of Sierra Alloys or the discussions leading to this Agreement.
31. **ARTICLE HEADINGS.** The Article headings in this Agreement are inserted for convenient reference only and shall not affect the meaning or interpretation of this Agreement.
32. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement.
33. **AIR FORCE RELIANCE.** Sierra Alloys represents that all written materials and other information supplied to the Air Force by its authorized representative during the course of discussions with the Air Force preceding this Agreement are true and accurate, to the best information and belief of the Sierra Alloys signatory to this Agreement. Sierra Alloys also represents that it has provided to the Air Force all information in its possession relating to the facts at issue. Sierra Alloys understands that this Agreement is executed on behalf of the Air Force in reliance upon the truth, accuracy, and completeness of all such representations.
34. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether oral or written, relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.
35. **BANKRUPTCY.** Bankruptcy proceedings shall not affect the enforcement of this Agreement in the interests of the Government.
36. **AUTHORIZED REPRESENTATIVE.** Jeff Augustyn, as Executive Vice President and General Manager of Sierra Alloys, is fully authorized to execute this Agreement and represents that he has the authority to bind Sierra Alloys.
37. **SEVERABILITY.** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect other provisions of this Agreement.

38. **NOTICES.** Any notices, reports, or information required hereunder shall be in writing and delivered or mailed by registered or certified mail, postage prepaid as follows:

If to Sierra Alloys, to: Jeff Augustyn
Executive Vice President and General Manager
Sierra Alloys Company, Inc.
5467 Ayon Avenue
Irwindale, California 91706

If to the Air Force, to: Deputy General Counsel for
Contractor Responsibility (SAF/GCR)
Department of the Air Force
4040 N. Fairfax Drive

Suite 204
Arlington, Virginia 22203-1613

or such other address as either party shall have designated by notice in writing to the other party.

39. **PUBLIC DOCUMENT.** This Agreement, including all attachments and reports submitted pursuant to this Agreement, is a public document and may be distributed by the Air Force throughout the Government as appropriate and to other interested persons upon request.

340. **MODIFICATION.** This Agreement may be amended or modified only by a written document signed by both parties.

DEPARTMENT OF THE AIR FORCE

BY: _____




DATE 11/10/09

SIERRA ALLOYS COMPANY, INC.

BY: Jeff Augustyn
Executive Vice President and General Manager
Sierra Alloys Company, Inc.

DATE 11.5.09



LIST OF EXHIBITS

EXHIBIT 1 Ethics Code, including Ethics Certificate

EXHIBIT 2 Training Schedule and Outline

EXHIBIT 3 Notice

Sierra Alloys Company, Inc.

**Code of Business Ethics
for**

Doing Business with Government Customers and Government Contractors

I. Introduction

As a supplier of goods and services to government customers (the "Government") and the Government's prime contractors and subcontractors ("Government Contractors"), Sierra Alloys Company, Inc. ("Sierra Alloys" or the "Company") is subject to a host of special statutes, regulations, and contract terms. Under these statutes, regulations, and contract terms, Sierra Alloys and its employees, officers, directors, and agents must conduct themselves in a manner that is honest, ethical, and with integrity. The purpose of this Code of Business Ethics for Doing Business with Government Customers and Government Contractors (the "Code") is to ensure honesty and integrity in the Company's business dealings with the Government and Government Contractors.

As described in more detail below, compliance with the Code is a condition of employment. Employees must demonstrate their understanding of the Code, adhere to the Code, and participate in various informational and educational programs regarding the Code, applicable laws, regulations, and standards of business conduct. Note that the Code requires employees to certify not only that they are in full compliance themselves, but also that they are not aware of any violations by other Company employees.

This Code supplements, and does not replace, all other written policies and procedures of Sierra Alloys. To the extent this Code conflicts with any other written policy or procedure, Sierra Alloys personnel shall comply with the more restrictive requirement or contact the Ethics Officer for guidance.

II. Promoting an Ethical Organization

Sierra Alloys is committed to acting honestly, ethically, and with integrity in all its dealings. Sierra Alloys personnel are responsible for promoting an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Accordingly, Sierra Alloys personnel must immediately report:

- any conduct inconsistent with this Code or with Sierra Alloys' ethical or legal obligations generally;
- any violation of any law or regulation;
- any breach of contractual obligations with a Government or Government Contractor customer; and
- any retention of overpayments made to Sierra Alloys under any contract with a Government or Government Contractor customer.

Employees can report such information in any of a number of ways, including by contacting:

1. The Sierra Alloys Hotline, 1-800-XXX-XXXX, which is anonymous and confidential;
2. Any Sierra Alloys manager, supervisor, or human resources representative;
3. The Ethics Officer, Gerry Mylander, ethics@sierraalloys.com.

Any manager, supervisor, human resources representative, or officer receiving reports of actual or suspected misconduct shall refer such reports to the Ethics Officer immediately.

III. Business Practices

Sierra Alloys personnel must comply with all applicable federal, state, local, and foreign laws and regulations, including those that apply to Sierra Alloys in its role as a Government contractor and supplier to Government Contractors. Sierra Alloys personnel must adhere to all Sierra Alloys policies and procedures, including this Code. Personnel must avoid even the appearance of impropriety in their actions.

A. Conflicts of Interest

Conflicts of interest may arise when an individual's position or responsibilities with the Company present an opportunity for personal gain apart from the normal compensation provided through employment. Sierra Alloys expects all personnel to devote their full working time and its efforts to Sierra Alloys' interests and to avoid any activity that could detract from or conflict with the interests and mission of Sierra Alloys. Sierra Alloys personnel must use Sierra Alloys' property, its business opportunities, and their positions with Sierra Alloys exclusively for the benefit of Sierra Alloys. Sierra Alloys personnel shall avoid situations in which their personal interests could conflict or appear to conflict with the interest of Sierra Alloys.

1. Confidential Information

Employees may have access to confidential information about Sierra Alloys, its customers, and suppliers. Confidential information of this sort includes information or data on technologies, products, business strategies, processes, costs, etc. Sierra Alloys personnel must not use or disclose such information for personal gain or in any manner inconsistent with the proprietary rights of Sierra Alloys, its customers, and suppliers.

2. Personal Financial Gain

Sierra Alloys personnel must avoid any outside financial interest that might improperly influence their employment decisions or actions. Subject to certain exceptions, such actions might include, among others: (i) a personal or family interest in an enterprise that has business relations with Sierra Alloys; or (ii) an investment in another business that competes directly with Sierra Alloys. If you feel you may have a conflict of interest due to your non-Sierra Alloys investments, contact the Ethics Officer for guidance.

3. Outside Activities

Sierra Alloys personnel must avoid outside employment or activities that may adversely affect their job performance, or which may likely conflict with their obligations to Sierra Alloys.

Sierra Alloys personnel who perform work for a company with which Sierra Alloys does business or competes must disclose that interest or work to a supervisor.

4. Examples

Conflicts of interest can arise under many circumstances. An exhaustive list of those situations is impractical, but some examples of conflicts of interest are:

- Investing in any company that sells products or services similar to Sierra Alloys' or in any company doing or seeking to do business with Sierra Alloys, other than relatively small investments in securities widely held by the general public;
- Working for, or on behalf of, any such company;
- Placing Sierra Alloys' business with relatives or friends, or working on a Company project that will have a direct impact on the financial interests of relatives or friends;
- Encouraging companies dealing with Sierra Alloys to buy supplies or services from relatives or friends;
- Borrowing money from companies doing or seeking to do business with Sierra Alloys other than on generally available terms;
- Hiring or supervising a relative or close friend;
- Maintaining a personal relationship with another employee or vendor that affects one's ability to do one's job or disrupts the workplace; and
- Maintaining any business or consulting relationships with any contractor, subcontractor, or competitor of Sierra Alloys.

B. Dealing with Suppliers and Customers

Sierra Alloys obtains and keeps its business because of the quality of its products and services and the fairness with which it treats its customers and suppliers. Sierra Alloys personnel must not permit their judgment to be influenced by personal considerations or create any appearance that they are seeking to obtain business or contracts for Sierra Alloys based upon improper considerations. The following guidelines are intended to help Sierra Alloys personnel make the "right" decision in potentially difficult situations.

1. Fair Dealing

No employee shall knowingly make a false representation or statement to any customer or supplier. Prior to making any certification, representation, or statement, Sierra Alloys personnel must verify all facts that form the basis of the certification.

No customer shall be shipped a product or provided a service that is different from the product or service ordered without the express written agreement of the customer. It shall be a violation of this policy to deliver any product that does not comply with each and every contract requirement

of the contract statement of work, purchase order, or prescribed specifications without obtaining the customer's prior written consent.

All invoices must accurately reflect the correct product or service, quantity, and price for the customer's order and Sierra Alloys' shipment.

2. Kickbacks and Rebates

Sierra Alloys personnel must not offer, provide, solicit, or accept anything of value to or from anyone in return for favorable consideration on a Government contract or subcontract. Purchases or sales of goods and services must not lead to employees or their families receiving personal kickbacks, rebates, or other benefits, whether in money, property or services, or other favorable personal benefits.

3. Reciprocity

In many instances, Sierra Alloys may purchase goods or services from a supplier who also buys products or services from Sierra Alloys. This practice is normal and acceptable. Requiring "reciprocity" for supplier purchases, however, is not. Sierra Alloys personnel must not ask Sierra Alloys suppliers to buy Sierra Alloys products and services in order to become or to continue to be a supplier to Sierra Alloys.

4. Gifts and Entertainment

a. Gifts

Sierra Alloys personnel and members of their immediate families must not offer or give gifts of money to, or solicit or accept gifts of money from, Sierra Alloys' suppliers or customers. Nor shall they give or solicit non-monetary gifts, gratuities, or any other personal benefits or favors of any kind to or from suppliers or customers. Sierra Alloys personnel may give or accept unsolicited non-monetary gifts to or from a company or individual doing or seeking to do business with Sierra Alloys only if: (i) the gift is of nominal intrinsic value; or (ii) the gift is advertising or promotional material provided also to others generally.

b. Entertainment

Sierra Alloys personnel must neither solicit nor encourage entertainment from any individual or company with whom Sierra Alloys does business. From time to time, Sierra Alloys personnel may offer or accept entertainment, but only if the entertainment is reasonable, occurs infrequently, and involves neither lavish expenditures nor Government officials or employees.

5. Dealings with Government Employees

a. Gifts

No money, gift, service, entertainment, or anything else of value shall be offered, given, or made available, directly or indirectly, to any Government official or employee or any member of their immediate family. Permissible exceptions to the no-gift rule may include: (i) providing Sierra Alloys-branded promotional items of nominal value such as a coffee mug, calendar, or similar item displaying the Sierra Alloys name or logo; (ii) providing modest refreshments such as soft

drinks, coffee, and donuts on an occasional basis in connection with a legitimate business activity; and (iii) engaging in certain other activities approved in advance and in writing by the Ethics Officer.

b. Foreign Corrupt Practices Act

Sierra Alloys complies with the United States Foreign Corrupt Practices Act and the laws of other countries that prohibit the payment of money or anything of value to any person who is a foreign government official, member of a political party, or candidate for political office solely for the purpose of obtaining, retaining, or directing business.

c. Procurement Integrity

Sierra Alloys personnel must not seek to obtain bid or proposal information or source selection information from any source prior to the award of any Government contract or subcontract to which that information pertains. Bid or proposal information includes competitors' cost or pricing information, cost build-up information, and information marked as "bid or proposal information" in accordance with applicable regulations. Source selection information includes competitors' proposed costs or prices, source selection and technical evaluation plans, evaluations of proposals, rankings of bids or proposals, reports and evaluations of source selection panels, boards or advisory counsels, and any other information marked as "source selection information" in accordance with applicable regulations.

In addition, Sierra Alloys personnel must refrain from seeking or obtaining from the Government any other sensitive, proprietary, or otherwise improper information regarding a competitor of Sierra Alloys or regarding a Government procurement. Further, Sierra Alloys personnel must comply strictly with the terms of any nondisclosure or other agreement pursuant to which Sierra Alloys receives any confidential or proprietary information from the Government or any other third party.

Any Sierra Alloys employee who believes that he or she has received "bid or proposal" information, "source selection information," or other improper confidential or proprietary information must: (i) refrain from using or disclosing the information in any manner for any purpose; and (ii) contact the Ethics Officer immediately.

d. Hiring and Utilization of Government Personnel

Sierra Alloys personnel must comply strictly with all rules governing the recruitment, hiring, and utilization of current and former Government employees. Sierra Alloys personnel must not discuss even the possibility of employment with a current Government employee unless and until that Government employee has certified in writing that he or she has formally withdrawn from involvement in any matter that may affect Sierra Alloys or is not involved in any such matter. In addition, all employment, agency, or consulting arrangements with any individual that has left Government service within the last five (5) years shall be reviewed in advance by the Ethics Officer to ensure that Sierra Alloys complies with federal post-employment restriction laws. Sierra Alloys personnel must resolve with the Ethics Officer, in advance, any potential ethical problems or conflicts of interest that might arise from discussions with respect to the prospective employment and utilization of all current and former Government employees.

6. Organizational Conflicts of Interest

An organizational conflict of interest ("OCI") may exist where a contractor performs conflicting roles that could bias its judgment and/or create an unfair competitive advantage. By way of example, an OCI may arise where a contractor bids on a contract for which it has prepared the specifications or statement of work, is required to evaluate its own products or services, or obtains access to competitively useful non-public information that would provide it with an unfair competitive advantage in future procurements.

When doing business with the Government, whether as a prime contractor or a subcontractor, Sierra Alloys personnel must comply strictly with all applicable prohibitions and other requirements relating to OCIs. Sierra Alloys personnel must not complete any representation or certification relating to OCIs, or submit any OCI mitigation plan, without first consulting the Ethics Officer.

C. Books, Records, and Reporting

Sierra Alloys' books and records must always accurately reflect the transactions and activities of the Company. All disbursements of funds and receipts must be properly and promptly recorded. False or artificial entries must not be made in the books or records of Sierra Alloys for any reason. Sierra Alloys personnel must not engage in an arrangement that in any way may be interpreted or construed as misstating or otherwise concealing the nature or purpose of any entry in the books or records of Sierra Alloys. Inappropriate access or modifications to, or unauthorized copying or destruction of, accounting or any other business records is prohibited.

D. Time Records

Sierra Alloys personnel must record time worked and activities performed accurately, completely, and in a timely manner. The employee's signature on the time record is his or her certification that the time record accurately reflects the hours worked and the activities performed on the specified project. The supervisor's signature is his or her certification that the time record has been reviewed for accuracy, the time is properly charged, and is, therefore, approved. Time records must not be changed or altered without a valid, recorded reason.

E. Performance and Administration of Government Contracts

It is Company policy to comply fully with all statutory, regulatory, and contractual provisions relating to Government contracts and contracts with Government Contractors. In furtherance of this policy, each employee is responsible for:

- reading, understanding, and adhering to the terms of and the rules pertaining to every such contract as it relates to their job;
- ensuring that all products and services are priced in accordance with the terms of the contract;
- ensuring that all products and services conform to contractual requirements and prescribed specifications;
- ensuring that all statements, certifications, reports, and other documentation is prepared accurately and completely; and

- maintaining all required documentation in accordance with document retention policies.

Questions regarding what a contract requires or regarding a request by a Government official or anyone else to take action that appears to be contrary to the terms of a contract should be directed to the Ethics Officer.

F. Pricing of Government Contracts

In negotiating or pricing contracts, employees must be accurate and complete in all representations and certifications. Sierra Alloys personnel must not submit a proposal or quotation for any contract or subcontract until there is confidence that that cost or pricing information is current, accurate, and complete.

G. Competitive Practices

In business, it is inevitable that Sierra Alloys and its competitors will meet and talk from time to time. This is neither against the law nor to be avoided. Such discussions, however, must not include the disclosure or exchange of confidential cost or pricing information (including, without limitation, Sierra Alloys' proposed pricing) nor suggestions or agreements regarding the submission or non-submission of offers on future Government procurements.

H. Lobbying Activities

Federal law generally prohibits Government contractors from using "appropriated funds," including the proceeds of any Government contract, to pay any person for influencing an officer or employee of any agency, a member of Congress, or an employee of a member of Congress in connection with certain official actions, including the award or modification of a Government contract. Sierra Alloys may be required to report certain communications intended to influence the Government, and Sierra Alloys personnel may also be required to register with the Government as "lobbyists," if they engage in such activities. Therefore, prior to engaging in potentially covered communications with Government officials, Sierra Alloys personnel must contact the Ethics Officer.

I. Country of Origin Requirements

Federal law prohibits the Government from purchasing products and raw materials – even commercial products – unless they were manufactured or melted in an approved country. Countries such as the United States, Taiwan, Canada, Singapore, and Germany are approved countries when selling to federal government customers. Countries such as China, Malaysia, India, and Brazil are some of the unapproved countries. State and local governments may also have their own country of origin requirements.

Employees are responsible for making a country of origin determination on each product that is sold to Government customers, and in ensuring that only approved products are sold. All unclear country of origin questions must be submitted to the Ethics Officer.

J. Export Laws

Employees must comply with all laws and regulations relating to the export of United States products and technology. A "deemed export" can occur if controlled technology is disclosed in the U.S. to a non-U.S. person. Counsel from the Ethics Officer must be sought before (i) disclosing confidential technical information to a non-U.S. person; or (ii) exporting Sierra Alloys products.

K. Drug-Free Workplace

Sierra Alloys supports and maintains a Drug-Free Workplace and will not tolerate illegal drug use or possession on its premises. Consumption of alcohol while on Sierra Alloys premises that imperils the health or well-being of its employees, threatens to compromise the quality of business activities, or is inconsistent with law, is prohibited.

L. No Contractual Rights

All statements contained in this Code are intended to reflect general policies, principles, and procedures, and do not represent contractual commitments on the part of Sierra Alloys. These statements may be changed at any time without notice. Without limiting the generality of the foregoing, nothing in this Code should be construed to grant to any Sierra Alloys personnel any right to benefits under any employee benefit plan, program, or arrangement.

M. Other Business Practices

This Code is not intended to address every scenario requiring ethical conduct. If a situation regarding potential ethical violations arises that an employee believes is not addressed by the Code, then he or she must contact the Ethics Officer, or any Sierra Alloys manager, supervisor, or human resources representative. Employees may also contact the Sierra Alloys Hotline anonymously and confidentially.

IV. Implementation of the Code

A. Penalties for Violations of the Code

Violations of this Code, even in the first instance, may result in disciplinary action up to and including dismissal of employment from Sierra Alloys. Anyone who fails to report conduct potentially violative of this Code or refuses to participate in any investigation of such conduct will be subject to disciplinary action, up to and including termination of service with Sierra Alloys. Violations of this Code may also constitute violations of law and may result in civil or criminal penalties for an employee or Sierra Alloys. No improper or illegal behavior will be justified by a claim that it was ordered by a superior. No one, regardless of his or her position, is authorized to direct any Sierra Alloys personnel to commit a wrongful act.

B. Non-Retaliation and Cooperation

Sierra Alloys' policy strictly prohibits retribution or retaliation for any information and reports that any employees provide that are based on a reasonable belief or concern that a violation of this Code or applicable law might have occurred or is planned. As part of any investigation, any employee alleged to have violated the Code will be informed of the allegation(s) and given the

opportunity to respond. Because it is Sierra Alloys' policy to cooperate fully with the Government in any investigation or audit, all Sierra Alloys personnel must cooperate fully with investigations of misconduct.

C. Oversight by High-Level Management

Consistent with the need to demonstrate the Company's commitment to perform its contracts with the highest degree of integrity and honesty, Sierra Alloys will involve the members of high-level management to oversee adherence to the Code.

1. Ethics Officer

Sierra Alloys will designate a member of senior management as the Ethics Officer. The Company's board of directors will adopt a resolution bestowing the Ethics Officer with the necessary authority to oversee and direct the Company's compliance with the Code. To this extent, the board of directors will bestow the Ethics Officer with authority to have direct access to senior management, the board of directors, outside counsel, and the Company's external accountants and auditors. The duties of the Ethics Officer will include:

- Reviewing, updating, and distributing the Code
- Developing and overseeing the administration of the ethics and compliance program ("Compliance Program").
- Identifying and assessing areas of potential risks for the Company.
- Developing and conducting mandatory training programs on substantive issues and potential risks to assist employees, managers, supervisors, and board members in complying with the Code.
- Responding to compliance concerns or inquiries by employees.
- Providing reports on compliance issues and concerns to senior management, the Company's owners, and the board members as necessary.
- Developing general written guidance on disciplinary actions to address issues of questionable or clear misconduct; obtaining senior management concurrence with those guidelines and the policy for enforcement.
- Identifying persons who are compliance risks either because of their prior employment or personal actions.
- Implementing and supervising an effective procedure to receive compliance-related issues or concerns, assuring confidentiality to the degree practicable.
- Investigating ethical issues or concerns, and responding to these issues or concerns, including the decision to make timely written disclosures as required by the Federal Acquisition Regulations.

- Revising the Compliance Program, as needed, to reflect the Company's experience or newly identified risks.
- Overseeing the documentation of activities related to the Compliance Program.
- Managing the annual self-governance and program audit.

2. Compliance Committee

Sierra Alloys will create and maintain a Compliance Committee. The Committee will include a member of the board of directors, the Chief Executive Officer (CEO), the Ethics Officer, the Chief Financial Officer, and legal counsel. The Compliance Committee will hear and review reports from the Ethics Officer on the operation and effectiveness of the Compliance Program, any compliance issues, and any recommendations on revisions to that program. The Compliance Committee will document their evaluation of those reports and provide them to the Company's senior management and the board of directors. If a situation develops that may involve allegations of non-compliance or wrongdoing, any member of the Committee has the authority to convene an immediate meeting of the Committee.

3. Direct Responsibility of Chief Executive Officer

The CEO of Sierra Alloys will be responsible for ensuring the Company establishes the Compliance Program and that Sierra Alloys' Code is maintained and updated as necessary. Additionally, the CEO will provide for periodic audits of the Company's business practices, procedures, policies, and internal controls for compliance with the Code and applicable law.

D. Involvement of the Board of Directors

The board of directors must ensure that the Compliance Program is effective. Pursuant to this duty, the board must receive and review reports from the Ethics Officer as necessary. A member of the board must serve on the Compliance Committee and act as a liaison between the board and the Committee. Further, the board must grant authority to the Ethics Officer to report directly to the board regarding business ethics and compliance topics.

E. Certification and Understanding

All employees, officers, managers, supervisors, and board members must demonstrate their understanding and compliance with Sierra Alloys' Code and Compliance Program. Further, all such individuals must also demonstrate that they have disclosed any known violations of the Code by other employees, officers, managers, or board members.

1. Certification of Understanding and Compliance

Each calendar year, all employees, officers, managers, supervisors, and board members must execute a certificate indicating that they have read Sierra Alloys' Code, that they understand the Code, that they will comply with the Code, and that they have disclosed any known violations of the Code. Additionally, the individual must attest that he or she (a) has attended a live training session concerning the content and application of the Company's Compliance Program; (b) understands that strict adherence to the law, the Code, and the principles of the Compliance Program is a condition of employment; and (c) understands that Sierra Alloys will take

disciplinary action, including discharge, for any violation of law, the Code, the principles of the Compliance Program, or basic tenets of business honesty and integrity, or failure to take reasonable steps to prevent or detect improper conduct.

F. Information and Education Programs

The Company will institute and maintain an information and educational program designed to assure that all employees, officers, managers, supervisors, and board members understand and are able to adhere to all mandatory and applicable laws, regulations, and standards of business conduct. Additionally, the information and educational program will ensure that individuals are aware of the potential consequences for both the individual and the Company in the event there is a violation of any law, regulation, or standard of business conduct.

1. Existing Employees

Each calendar year, the Ethics Officer will provide training regarding the Compliance Program to the Company's employees, officers, and managers. Some of this training will be live.

2. New Employees

As soon as practicable, the Ethics Officer will provide training regarding the Compliance Program to the Company's newly hired employees, officers, and managers. Some of this training will be live. Thereafter, each new employee must read the Code, and sign in the Company's registry stating that he or she understands the Code.

3. Languages

All written materials and training related to the business ethics program will be provided in English and Spanish and in any other language necessary to assure that each employee understands all elements of any written or oral presentation.

G. Reporting and Information Resources

The Company will maintain a Company Hotline in which personnel may report suspected violations of the Code. The Company will post in prominent places accessible to each of its employees a notice giving the telephone numbers of the Company Hotline and the Ethics Officer, inviting confidential calls to report suspected instances of improper conduct, providing instructions that encourage employees to make such reports, noting that the caller may call "collect" on long distance calls, and stating the Company's commitment to comply with all applicable laws and regulations in the conduct of its business.

H. Communication of the Commitment to Business Ethics and Compliance

Senior management will use available tools to communicate the Company's commitment to the Code, including internal communications of policies and procedures, group meetings, face-to-face interactions, bulletin boards, newsletters, company website, etc. Additionally, the CEO will issue written policy statements clearly articulating the Company's commitment to the highest levels of honesty and integrity in the procurement process.

I. Performance Standards

Promotion of and adherence to the Company's Compliance Program is an element of each manager's and supervisor's performance standards.

J. Self-Governance and Program Audit

As necessary, the Ethics Officer will conduct an internal audit of the Company's business practices, procedures, policies, and internal controls for compliance with the Code and the special requirements of government contracting. The Ethics Officer will take appropriate steps to design, implement, or modify the Compliance Program as necessary to reduce the risk of criminal conduct as identified through this process.

K. Mandatory Disclosure Procedure

Sierra Alloys will develop and implement a mandatory disclosure procedure to facilitate the Company's compliance with the Federal Acquisition Regulation (FAR) Mandatory Disclosure Rule that became effective on December 12, 2008. The procedure will outline the Company's policy regarding identifying, investigating, and disclosing wrongdoing and the policy for identifying, investigating, and disclosing a government overpayment.

L. Debarred or Suspended Entities or Individuals

Sierra Alloys must not knowingly employ, with or without pay, an individual who is under indictment, convicted, or listed by a Federal Agency as debarred, suspended, or otherwise ineligible for Federal programs. This policy applies to employees and principals.

M. Business Relationships with Suspended or Debarred Entities.

Sierra Alloys will develop an internal operating policy in which the Company will not knowingly form a contract with, purchase from, or enter into any business relationship with any individual or business entity that Sierra Alloys determines is debarred, suspended, or proposed for debarment.

Sierra Alloys Company, Inc.

OUTLINE OF ETHICS TRAINING

I. Introduction (10 minute)

- A. As a government contractor, Sierra Alloy is subject to a host of special statutes, regulations, and contract terms.
 - 1. Examples include: Anti-Kickback Act (41 U.S.C. §§ 51-58), False Claims Act (18 U.S.C. § 287), False Statements Act (18 U.S.C. § 1001), Sarbanes-Oxley Act (18 U.S.C. § 1519), and Truth in Negotiations Act (10 U.S.C. § 2306a; 41 U.S.C. § 254), among others.
- B. Sierra Alloys and its employees, officers, directors, and agents must conduct themselves in a manner that is honest, ethical, and with integrity.
- C. Compliance with the Code is a condition of employment.
 - 1. Employees must demonstrate their understanding of the Code, adhere to the Code, and participate in various informational and educational programs regarding the Code, applicable laws, regulations, and standards of business conduct.
 - 2. Employees must certify not only that they are in full compliance themselves, but also that they are not aware of any violations by other Company employees.

II. Promoting an Ethical Organization (10 minutes)

- A. Sierra Alloys is committed to acting honestly, ethically, and with integrity in all its dealings.
 - 1. Personnel are responsible for promoting an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
 - 2. Personnel must comply with company policies, procedures, and all applicable laws.
- B. Sierra Alloys personnel must immediately report:
 - 1. any conduct inconsistent with this Code or with Sierra Alloys' ethical or legal obligations generally;
 - 2. any violation of any law or regulation;

3. any breach of contractual obligations with a Government or Government Contractor customer; and
 4. any retention of overpayments made to Sierra Alloys under any contract with a Government or Government Contractor customer.
- C. Employees can report such information in any of a numbers of ways, including by contacting:
1. The Sierra Alloys Hotline [insert number], which is anonymous and confidential;
 2. Any Sierra Alloys manager, supervisor, or human resources representative;
 3. The Company Ethics Officer, Gerry Mylander, [insert contact info]

III. Business Practices (20 minutes)

A. Conflicts of Interest

1. Personnel must not disclose confidential information.
2. Personnel must not permit outside interests to improperly influence employment decisions or actions.
3. Personnel must avoid outside employment or activities that may conflict with obligations to Sierra Alloys.

B. Dealing with Suppliers and Customers

1. Fair Dealing

- a. Personnel must not: knowingly make a false statement or representation; make any certifications, representations, or statements without verifying the underlying facts; ship products that do not comply with the every contract requirement or specifications; or falsely invoice products, services, or quantities.

2. Kickbacks

- a. Personnel must not offer, provide, solicit, or accept anything of value to or from anyone in return for favorable consideration, including favorable consideration on a government contract or to a family member.

3. Reciprocity

- a. Personnel must not ask for suppliers to buy Sierra Alloys products or services in order to become or continue being a supplier to Sierra Alloys.

4. Gifts and Entertainment

- a. Personnel and members of their immediate families must neither solicit, offer, nor encourage gifts or entertainment (above nominal intrinsic value) from any individual or company with whom Sierra Alloys does business.

5. Dealings with Government Employees

- a. No money, gift, service, entertainment, or anything else of value shall be offered, given, or made available, directly or indirectly, to any Government official or employee or any member of their immediate family. Foreign Corrupt Practices Act

6. Foreign Corrupt Practices Act

- a. Personnel are prohibited from giving anything of value to any person who is a Government official, member of a political party, or candidate for political office solely for the purpose of obtaining, retaining, or directing business.

7. Procurement Integrity

- a. Personnel must not seek to obtain sensitive, proprietary, or otherwise improper information re a competitor of Sierra Alloys.

8. Hiring and Utilization of Government Personnel

- a. Sierra Alloys personnel must not discuss even the possibility of employment with a current Government employee unless and until that Government employee certifies in writing that he or she has formally withdrawn from involvement in any matter that may affect Sierra Alloys or is not involved in any such matter.

C. Organizational Conflicts of Interest

- 1. Personnel must comply strictly with all applicable prohibitions and other requirements relating to Organizational Conflicts of Interests.

D. Books, Records, and Reporting

- 1. Personnel must ensure Sierra Alloys's books and records accurately reflect the transactions and activities, that all disbursements of funds and receipts

be properly and promptly recorded, and that false or artificial entries are not made for any reason.

2. Personnel must not engage in an arrangement that in any way may be interpreted or construed as misstating or otherwise concealing the nature or purpose of any entry in the books or records.

E. Time Records

1. Personnel must record time worked and activities performed accurately, completely, and in a timely manner.
2. The employee's signature certifies that the record accurately reflects the hours worked and the activities performed. The supervisor's signature certifies he or she reviewed the entry for accuracy.

F. Performance and Administration of Government Contracts

1. Company policy requires compliance with all statutory, regulatory, and contractual provisions relating to Government contracts. Personnel must:
 - a. read, understand, and adhere to the terms of and the rules pertaining to every Government contract as it relates to their job;
 - b. ensure that all products and services are priced correctly;
 - c. ensure that all products and services conform to contractual requirements;
 - d. ensure that all statements, certifications, reports, and other documentation is accurate and complete;
 - e. maintain all required documentation; and
 - f. direct discrepancies re contract requirements or requests by a Government official to the Ethics Officer.

G. Pricing of Government Contracts

1. Personnel must be accurate and complete in all representations of pricing information and certifications re prices and negotiations of contracts.

H. Competitive Practices

1. With respect to Sierra Alloys's competitors, personnel must not disclose or exchange confidential cost or pricing information, suggestions, or agreements re the submission or non-submission of offers on future Government procurements.

I. Lobbying Activities

1. Federal law generally prohibits government contractors from paying government officials to influence the award or modification of a contract.
 - a. Prior to such communications, personnel must contact and coordinate with the Ethics Officer
2. Federal law may require Sierra Alloys to report certain communications intended to influence the Government
 - a. Sierra Alloys personnel may also be required to register with the Government as "lobbyists."

J. Country of Origin Requirements

1. Personnel must ensure the origin of each product that is sold to the federal, state, and local government customers, and ensure that only approved products are sold.
2. Personnel must submit all unclear country of origin questions to the Ethics Officer.

K. Export Laws

1. Employees must comply with all laws and regulations relating to the export of United States products and technology.
2. Counsel from the Ethics Officer must be sought before (i) disclosing confidential technical information to a non-U.S. person; or (ii) exporting Sierra Alloys products.

L. Drug-Free Workplace

1. Sierra Alloys supports and maintains a Drug-Free Workplace and will not tolerate illegal drug use or possession on its premises.
2. Consumption of alcohol while on Sierra Alloys premises that imperils the health or well-being of its employees, threatens to compromise the quality of business activities, or is inconsistent with law, is prohibited.

IV. Implementation of the Code (15 minutes)

A. Penalties for Violations of the Code

1. Violations of this Code, even in the first instance, may result in disciplinary action up to and including dismissal of employment from Sierra Alloys.

2. Anyone who fails to report conduct potentially violative of this Code or refuses to participate in any investigation of such conduct will be subject to disciplinary actions, up to and including termination of service with Sierra Alloys.
3. Violations of this Code may also constitute violations of law and may result in civil or criminal penalties for an employee or Sierra Alloys.
4. No improper or illegal behavior will be justified by a claim that it was ordered by a superior.
5. No one, regardless of his or her position, is authorized to direct any Sierra Alloys personnel to commit a wrongful act.

B. Non-Retaliation and Cooperation

1. Retribution or retaliation for any information or reports that personnel provide that are based on a reasonable belief or concern that a violation of this Code or applicable law might have occurred or is planned is prohibited.
2. Any employee alleged to have violated the Code will be informed of the allegation(s) and given the opportunity to respond.
3. Sierra Alloys fully cooperates with the government in any investigation or audit.

C. Oversight by High-Level Management

1. Ethics Officer
 - a. The Ethics Officer is a member of senior management.
 - b. The Ethics Officer has the necessary authority to oversee and direct the Company's compliance with The Code.
 - c. The Ethics Officer reviews, updates, distributes, and ensures adherence to The Code.
2. Compliance Committee
 - a. The Committee includes member of the Board of Directors, the Chief Executive Officer, the Ethics Officer, the Chief Financial Officer, and legal counsel.
 - b. The Compliance Committee reviews reports from the Compliance Officer on the operation and effectiveness of the Compliance

Program, any compliance issues, and any recommendations on revisions to that program.

- c. The Compliance Committee reports to senior management and the Board of Directors.

3. Chief Executive Officer

- a. The CEO is directly responsible for ensuring the Company establishes the Compliance Program and that the Code is maintained and updated as necessary.
- b. The CEO provides for periodic audits of business practices, procedures, policies, and internal controls for compliance with The Code and applicable law.

4. Involvement of the Board of Directors

- a. The Board ensures that the Compliance Program is effective.
- b. The Board receives and reviews reports from the Ethics Officer as necessary.
- c. A member of the Board serves on the Compliance Committee and act as a liaison between the Board and the Committee.
- d. The Board bestows authority to the Ethics Officer to report directly to the Board regarding business ethics and compliance topics.

D. Certification and Understanding

1. Certification of Understanding and Compliance

- a. Each calendar year, all employees, officers, managers, supervisors, and board members:
 - (1) must execute a certificate indicating that they have read the Code, that they understand the Code, that they will comply with the Code, and that they have disclosed any known violations of the Code.
 - (2) must attest that he or she (a) has attended a live training session concerning the content and application of the Company's Business Ethics Program; (b) understands that strict adherence to the law, the Code, and the principles of the Business Ethics Program is a condition of employment; and (c) understands that Sierra Alloys will take disciplinary action, including discharge, for any violation of law, the

Code, the principles of the Business Ethics Program, or basic tenets of business honesty and integrity, or failure to take reasonable steps to prevent or detect improper conduct.

- (3) Must sign the Ethics Registry, indicating he or she understands and adheres to the Compliance Program.

E. Information and Education Programs

1. Education programs are mandatory and ensure:

- a. that all employees, officers, managers, supervisors, and board members understand and are able to adhere to all applicable laws, regulations, and standards of business conduct.
- b. individuals are aware of the potential consequences for both the individual and the Company in the event there is a violation of any law, regulation, or standard of business conduct.

2. Reporting and Information Resources

- a. Personnel must report suspected violations of the Code to the company Hotline or directly to the Ethics Officer.

- (1) Reports are confidential

F. Performance Standards

1. Promotion of and adherence to the Company's Business Ethics Program is an element of performance standards.

V. Policies for Management Only (10 minutes)

A. Communication of Commitment to Business Ethics

1. Management should identify and implement effective means for communicating company commitment to business ethics

B. Mandatory Disclosure Procedure

1. Management should identify, investigate, and disclose wrongdoing to the Government, such as false certifications and overpayment.
2. Management should coordinate disclosure with Ethics Officer.

C. Self-Governance and Program Audit

1. Ethics Officer should conduct internal audit of practices, procedures, policies and internal controls for compliance with The Code.
2. Ethics officer should modify Ethics Program as necessary to reduce risk of wrongdoing.

D. Debarred or Suspended Entities or Individuals

1. Management should ensure Sierra Alloys does not knowingly employ, with or without pay, an individual who is under indictment, convicted, or listed by a federal agency as debarred, suspended, or otherwise ineligible for federal programs.
2. This policy applies to employees and principals

E. Business Relationships with Suspended or Debarred Entities

1. Management should ensure Sierra Alloys does not knowingly engage a business entity or individual that is debarred, suspended, or proposed for debarment.

VI. Conclusion (5 minutes)

- A. The success of Sierra Alloys is dependent upon acting honestly, ethically, and with integrity in all its dealings.
- B. Just Do the Right Thing.

SIERRA ALLOYS HOTLINE

**FOR REPORTING
FRAUD, WASTE, AND
ABUSE**

1-800-XXX-XXXX

GERRY MYLANDER
ETHICS OFFICER
OR WRITE: SIERRA ALLOYS, INC.
5467 AYON AVE
IRWINDALE, CA 91706

EMAIL ETHICS OFFICER AT: ETHICS@SIERRAALLOYS.COM

REPORTS AND TIPS MAY BE MADE ANONYMOUSLY